

#### VACANCIES AND TURNOVER:

The position of Chief Financial Officer (CFO) was duly advertised, all processes followed and recommended candidate declined the offer. The municipality has restarted the recruitment process.

The first time: Recruitment and Selection was undertaken and the recommendation submitted to Council – Council could not finalise the process due to the incomplete screening process. The riots broke out immediately thereafter and the follow-up could not be done.

The second time: the position was advertised again six months later and the National Treasury advised that the Municipality re-advertise since the Regulation was not followed to the letter.

The third time: the re-advert was placed and the Recruitment and selection process was undertaken to completion but the recommended candidate did not accept citing a better offer by his employer as the reason.

The fourth time: the position has been advertised again and the process is underway to select the relevant candidate.

The situation with the difficulty on recruiting and appointing the CFO is mainly influenced by legislated remuneration for Senior Managers.

The municipality was able to fill the PMS Manager and PMU Manager vacancies in the financial year under review.

It will be critical that in the next financial year the municipality must, cash flow allowing – consider filling the posts of Supervisors in the Community Services and Technical Services Departments. The vacancies in these levels have resulted in some deficiencies in managing the service delivery programmes. Also critical will be the positions of General Workers, as current numbers are not adequate to allow the municipality to implement the service delivery programmes effectively. The vacancy rate at the General Workers positions is at around 38%, which does not bode well for effective and efficient service delivery. The shortage of employees at these levels has resulted in an excessive expenditure on overtime payment and standby allowances. One of the reasons for high vacancy rate in these levels has been the failure to fill the positions as employees retires, resigns and/or passes on. Since 2013.14 financial year more than 50 employees in the Community Services and Technical Services departments, in the General Work levels, have left the municipality but the vacancies were not filled by management.

The vacancy rate in the Budget and Treasury Department is at 33.3%, which is too high for a department assigned a critical task like Municipal Financial Viability and Management. The filling of vacant positions in this department will also have to be a priority so as to ensure that the municipality improves on its sound financial management practices and also receives an improved audit opinion from the Auditor General.

## COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

### INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

The National Treasury states in the Local Government Budget and Expenditure Review 2010/11 financial year that "the success or failure of municipalities depends on the quality of its political leadership, sound governance of its finances, the strength of its institutions and the *caliber of the staff working for the municipality*". The document further states that though financial governance is perceived to be most important, without proper personnel management municipalities are unlikely to succeed in achieving the set objectives. Municipality needs to prioritize the personnel management function as it lies at the heart of the financial challenges experienced by the municipalities – this the National Treasury further states in the document alluded above.

Lekwa-Teemane Local Municipality has over the years experienced low staff morale, to some extent lack of commitment and ill-discipline. These ills need an urgent and firm attention. If these are not addressed the municipality will not be able to achieve the objectives outlined in its IDP and other planning documents. It is critical that issues of personnel management are not only viewed as a function of the Human Resources Section, but as a function of all managers in the municipality.

## 4.2 POLICIES

HR Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
		%	%	
1	Attraction and Retention	100	100	25 <sup>th</sup> November 2011
2	Code of Conduct for employees	100	100	25 <sup>th</sup> November 2011
3	Delegations, Authorisation & Responsibility	100	100	26 <sup>th</sup> April 2013
4	Disciplinary Code and Procedures	100	100	25 <sup>th</sup> November 2011
5	Employee Assistance / Wellness	100	100	25 <sup>th</sup> November 2011
6	Employment Equity	100	100	25 <sup>th</sup> November 2011
7	Grievance Procedures	100	100	25 <sup>th</sup> November 2011
8	HIV/Aids	100	100	25 <sup>th</sup> November 2011
9	Human Resource and Development	100	100	25 <sup>th</sup> November 2011
10	Information Technology	100	100	25 <sup>th</sup> November 2011
11	Leave	100	100	25 <sup>th</sup> November 2011
12	Organisational Rights	100	100	29 <sup>th</sup> June 2012
13	Performance Management and Development	100	100	29 <sup>th</sup> June 2013
14	Recruitment, Selection and Appointments	100	100	25 <sup>th</sup> November 2011
15	Training and Development	100	100	25 <sup>th</sup> November 2011
16	Subsistence and Travel	100	100	21 November 2012
17	Mobile Phone and 3G Policy	100	100	21 November 2012

COMMENT ON WORKFORCE POLICY DEVELOPMENT:

Various policies are in place in the municipality and a process has been initiated to review them. A draft Human Resources Policy Manual has been submitted to Council for consideration and adoption. Managers and Labour Unions have been consulted and requested to comment on the draft Human Resources Policy Manual. As soon as Council approves of the draft a programme needs to be developed to inform all employees of the Policies – this will assist in the workforce management of all Managers as employees will have an understanding of what is expected of them and what the consequences of non-compliance will be.

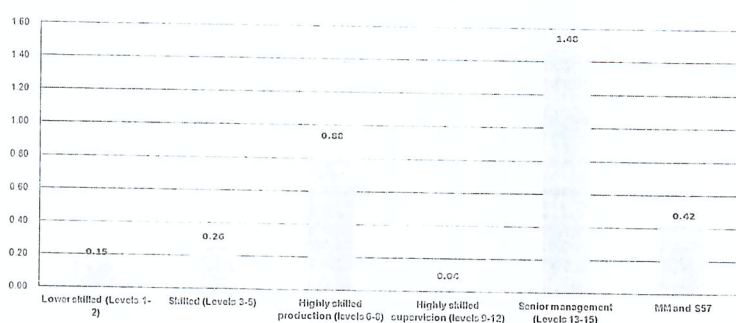
Over and above the policies adopted by Council, Collective Agreements from the South African Bargaining Council (National) and SALGA North West (Divisional) are used to manage the workforce.

The Policy Workshop for Council should be prioritised in the next financial year as reviewed policies are awaiting Council adoption.

#### 4.3 INJURIES, SICKNESS AND SUSPENSIONS

Type of injury	Injury Leave Taken	Employees using injury leave	Proportion employees using sick leave	Average injury Leave per employee
	Days	No.	%	Days
Required basic medical attention only	60	5	8%	12
Temporary total disablement	0	0	0	0
Permanent disablement	0	0	0	0
Fatal	0	0	0	0
Total	0	5	8%	12

Average Number of Days Sick Leave (excluding IOD)



Number of days and Cost of Sick Leave (excluding injuries on duty)



Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	*Average sick leave per Employee	Estimated cost
	Days	%	No.	No.	Days	R' 000
Post Levels 1 - 3	51	2.00%	3	18	2.83	
Post Levels 4 - 6	103	4.00%	4	23	4.48	
Post Levels 7 - 9	161	0.01%	8	26	5.75	
Post Levels 10 - 12	0	0.00%	0	12	0.00	
Post Levels 13 - 15	171	13.00%	10	113	1.51	
Interns	0	0.00%	0	3		
MM and S57	15	0.00%	2	4	3.75	
Total	501	6.00%	27	202	2.48	

#### COMMENT ON INJURY AND SICK LEAVE:

The number of sick leave days taken are at around 3 days per employee on average. Though the number looks good at face value, it is critical to note that there only 27 employees of the 202 employed who used sick leave over the reporting period. The number proportion of sick leave without medical certification needs to be given attention as this might result in employees staying away from work only to claim sick leave on return.

The municipality's employee wellness programmes needs to be implemented to ensure that the number of sick leave taken is reduced. In the next financial year plans should be put in place to ensure that the Employee Wellness Policy is implemented accordingly.

#### COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT:

The municipality had no cases of suspension and financial misconduct for the year under review.

#### 4.4 PERFORMANCE REWARDS

##### COMMENT ON PERFORMANCE REWARDS:

The municipality has not yet conducted performance rewards

### COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE



## INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

*Note: MSA 2000 S68 (1) requires municipalities to develop their human resource capacity to a level that enables them to perform their functions and exercise their powers in an economical, effective, efficient and accountable way.*

The development of capacity of the workforce is an important requirement in realizing the municipal objectives. An assessment done in the municipality has informed the development of the municipal training plan in the form of the Workplace Skills Plan. This plan outlines the capacity needs of the municipality and outlines the training and financial plans that will enable the municipality to train its workforce to ensure better quality service delivery that will benefit the community of Lekwa-Teemane Local Municipality.

The training programmes that were targeted during the reporting period included skills programmes and structured learning. Also key to the training plans of the municipality during the reporting period were the need to train Senior Managers and Finance Officials to achieve the competency levels as outlined in the MFMA Municipal Regulations on Minimum Competencies. The Senior Managers in the municipality has been registered with the North West University to attend a course on Municipal Finance Management Certificate. While this qualification is necessary in line with the provision of the regulations – the achievement of the competencies will capacitate the Senior Management and ensure that they contribute meaningfully towards the achievement of better and improved audit opinion for 2015/16 financial year.

#### 4.5 SKILLS DEVELOPMENT AND TRAINING

Skills Matrix													
Management level	Gender	Employees in post as at 30 June 2015/16	Number of skilled employees required and actual as at 30 June 2015/16										
			Learnership			Skills programmes & other short courses				Other forms of training			
			Actual: End of 2014/15	Actual: End of 2015/16	2015/16 Target	Actual: End of 2014/15	Actual: End of 2015/16	2015/16 Target	Actual: End of 2014/15	Actual: End of 2015/16	2015/16 Target	Actual: End of 2014/15	Actual: End of 2015/16
MM and s57	Female		0	0	0	0	0	0	0	1	1	0	1
	Male		0	0	0	3	4	4	0	1	4	3	4
Councillors and managers	Female		0	0	0	4	0	5	2	5	5	6	5
	Male		0	0	0	15	1	15	7	9	15	22	15
Technicians and associate professionals*	Female		0	0	0	0	0	0	0	0	0	0	2
	Male		0	3	4	0	0	0	0	0	0	0	3
Professionals	Female		0	0	0	0	0	0	0	0	0	0	0
	Male		0	0	0	0	0	0	0	2	2	0	2
Sub total	Female		0	0	0	4	0	5	2	11	6	6	6
	Male		0	3	4	18	5	19	7	15	19	25	25
Total		0	0	3	4	22	5	24	9	52	25	31	33
*Registered with professional Associate Body e.g CA (SA)													

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### Financial Competency Development: Progress Report\*

Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
<b>Financial Officials</b>						
Accounting officer	1	0	1	0	1	0
Chief financial officer	0	0	0	0	0	0
Senior managers	3	1	4	0	3	0
Any other financial officials	9	0	9	5	0	5
<b>Supply Chain Management Officials</b>						
Heads of supply chain management units	0	0	0	0	0	0
Supply chain management senior managers	0	0	0	0	0	0
<b>TOTAL</b>	<b>13</b>	<b>1</b>	<b>14</b>	<b>5</b>	<b>4</b>	<b>5</b>



Skills Development Expenditure										
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development 2015/16							
			Learnerships		Skills programmes & other short courses		Other forms of training		Total	
		No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
MM and S57	Female		Donor Funded	Donor Funded	450 000	285 000	Donor Funded	Donor Funded	450 000	285 000
	Male									
Legislators, senior officials and managers	Female									
	Male									
Professionals	Female									
	Male									
Technicians and associate professionals	Female									
	Male									
Clerks	Female									
	Male									
Service and sales workers	Female									
	Male									
Plant and machine operators and assemblers	Female									
	Male									
Elementary occupations	Female									
	Male									
Sub total	Female									
	Male									
Total		0			450 000	285 000			450 000	285 000

**COMMENT ON SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND ON THE FINANCIAL COMPETENCY REGULATIONS:**

The municipality aims to continue opening opportunities for personnel in various departments to enrol in skills development training in order to gain more knowledge and experience that will enable them to better perform duties assigned and contributing improving the audit opinion of the municipality

## COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

### COMMENT ON UPGRADED POSTS AND THOSE THAT ARE AT VARIANCE WITH NORMAL PRACTICE:

There were no personnel whose salary levels exceed the grade determined by Job Evaluation. The municipality had no employees appointed to post not approved in the financial year under review.

### DISCLOSURES OF FINANCIAL INTERESTS

Financial interest disclosure of all councillors and senior managers have been done

## CHAPTER 5 – FINANCIAL PERFORMANCE

### INTRODUCTION

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises of three components:

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Other Financial Matters

### COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

#### INTRODUCTION TO FINANCIAL STATEMENTS

*Note: Statements of Revenue Collection Performance by vote and by source are included at Appendix K.*

#### 5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Financial Performance of Operational Services						
Description	2014/15	2015/16		2015/16 Variance		
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
<b>Operating Cost</b>						
Water	26 485	23 572	28 075	23 042	-2%	-22%
Waste Water (Sanitation)	8 541	8 285	9 054	8 456	2%	-7%
Electricity	12 355	10 254	12 478	13 219	22%	6%
Waste Management	14 232	13 235	13 662	12 097	-9%	-13%
Housing	6 542	5 496	5 954	6 346	13%	6%
Component A: sub-total	68 155	60 842	69 222	63 161	4%	-10%
Waste Water (Stormwater Drainage)	5 643	5 530	5 925	5 304	-4%	-12%
Roads	5 643	5 530	5 925	5 304	-4%	-12%
Transport	5 322	4 470	5 747	4 630	3%	-24%
Component B: sub-total	16 607	8 455	8 624	9 554	12%	10%
Planning	1 254	1 003	1 191	1 354	26%	12%



Local Economic Development	2 516	2 063	2 264	2 340	12%	3%
Component B: sub-total	3 769	3 066	3 455	3 693	17%	6%
Planning (Strategic & Regulatory)	12 546	10 413	11 793	11 542	10%	-2%
Local Economic Development	2 355	2 190	2 425	2 402	9%	-1%
Component C: sub-total	14 900	12 603	14 218	13 944	10%	-2%
Community & Social Services	4 565	3 698	4 337	4 291	14%	-1%
Environmental Protection	5 649	4 971	6 157	4 971	0%	-24%
Health	5 649	4 971	6 157	4 971	0%	-24%
Security and Safety	5 649	4 971	6 157	4 971	0%	-24%
Sport and Recreation	5 649	4 971	6 157	4 971	0%	-24%
Corporate Policy Offices and Other	5 649	4 971	6 157	4 971	0%	-24%
Component D: sub-total	32 808	28 552	35 122	29 145	2%	-21%
<b>Total Expenditure</b>	<b>136 240</b>	<b>113 518</b>	<b>130 642</b>	<b>119 497</b>	<b>5%</b>	<b>-9%</b>

## 5.2 GRANTS

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Grants Received From Sources Other Than Division of Revenue Act (DoRA)					
Details of Donor	Actual Grant Year -1	Actual Grant Year 0	Year 0 Municipal Contribution	Date Grant terminates	Date Municipal contribution terminates
Nature and benefit from the grant received, include description of any contributions in kind					
No grants received by the municipality other than DoRA					

## 5.3 ASSET MANAGEMENT

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED 2015/2016 (R'000)						
Asset 1						
Name	Boitumelong Internal Roads					
Description	Roads / Carriageway					
Asset Type	Infrastructure					
Key Staff Involved	Technical Department					
Staff Responsibilities	Monitoring and evaluating contractor					
Asset Value	2011/2012	2012/2013	2013/2014	2014/2015	R 6,551.00	
Capital Implications	Asset funded by MIG Grant					
Future Purpose of Asset	Roads / Carriageway					
Describe Key Issues						
Policies in Place to Manage Asset	PPE Policy					
Asset 2						
Name	Christiana/Bloemhof					
Description	Bulk Electricity Networks					
Asset Type	Infrastructure					
Key Staff Involved	Technical / Community Services Department					

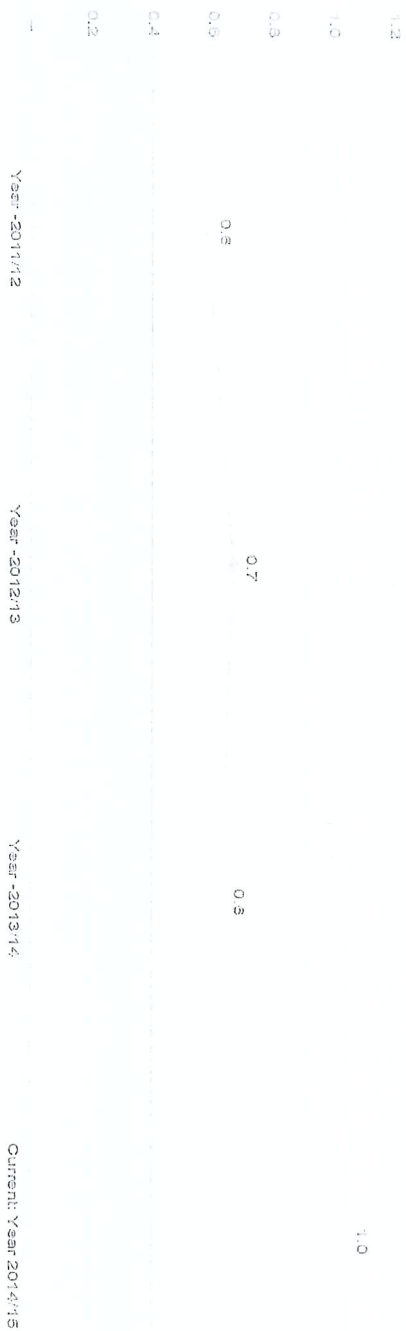
Staff Responsibilities	Monitoring and evaluating contractor				
Asset Value	2011/2012	2012/2013	2013/2014	2014/2015	
Capital Implications				R 5,820.00	
Future Purpose of Asset	Asset funded by MIG Grant				
Describe Key Issues	Electricity Supply				
Policies in Place to Manage Asset	PPE Policy				
Asset 3					
Name	Geluksoord Internal Roads				
Description	Roads / Carriageway				
Asset Type	Infrastructure				
Key Staff Involved	Technical / Community Services Department				
Staff Responsibilities	Monitoring and evaluating contractor				
Asset Value	2011/2012	2012/2013	2013/2014	2014/2015	R 6,080
Capital Implications	Asset funded by MIG Grant				
Future Purpose of Asset	Roads / Carriageway				
Describe Key Issues					
Policies in Place to Manage Asset	PPE Policy				

Repair and Maintenance Expenditure: Year 2015/16				
R' 000				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	13,864	10,549	5,170	63%



# 5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

## Liquidity Ratio



Liquidity Ratio -- Measures the municipality's ability to pay its bills and is calculated by dividing the monetary assets (due within one year) by the municipality's current liabilities. A higher ratio is better.

Data used from MERRSAS

### Cost Coverage



III. Cost coverage

Cost Coverage- It explains how many months expenditure can be covered by the cash and other liquid assets available to the Municipality excluding utilization of grants and is calculated

Date used from MBRR SAs

## Total Outstanding Service Debts

70.0%			
30.0%		93.0%	
00.0%			
34.0%	01.0%		
02.0%		62.0%	
00.0%			90.5%
00.0%			U.S. Service Debtors to Revenue
00.0%	Year-2011/12	Year-2012/13	Year-2013/14
			Current Year 2014/15

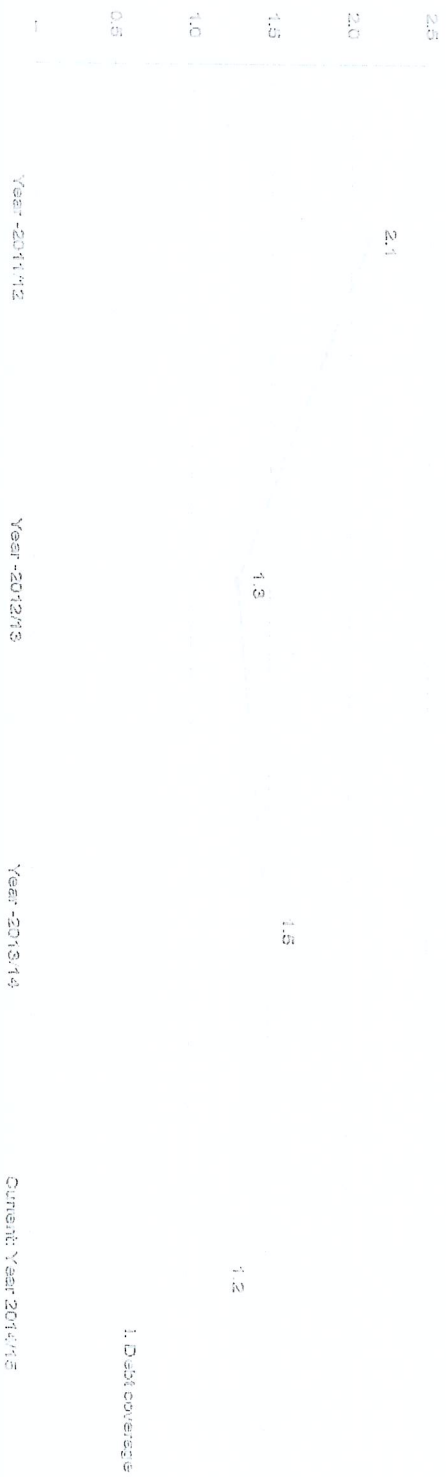
Total Outstanding Service Debtors - Measures how much money is still owed by the community for water, electricity, waste removal and sanitation compared to how much money has been paid for these services. It is calculated by dividing the total outstanding debtors by the total annual revenue. A lower score is better.

Data used from WBRF SAB

75.43



## Debt Coverage



Debt Coverage-- The number of times debt payments can be accommodated within Operating revenue (excluding grants). \* This in turn represents the ease with which debt payments can be accommodated by the municipality

Data used from MBRRSAS

## Creditors System Efficiency



Creditors System Efficiency – The proportion of creditors paid within terms (i.e. 30 days). This ratio is calculated by outstanding trade creditors divided by credit purchases

Data used from MBR-SAG

## Capital Charges to Operating Expenditure



Capital Charges to Operating Expenditure

Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure.

Data used from MARRSAS

## Employee Costs



Employee cost – Measures what portion of the revenue was spent on paying employee costs. It is calculated by dividing the total employee cost by the difference between total revenue and capital revenue.

Data used from MBR SAs



## Repairs & Maintenance



Repairs and Maintenance – This represents the proportion of operating expenditure spent and is calculated by dividing the total repairs and maintenance.

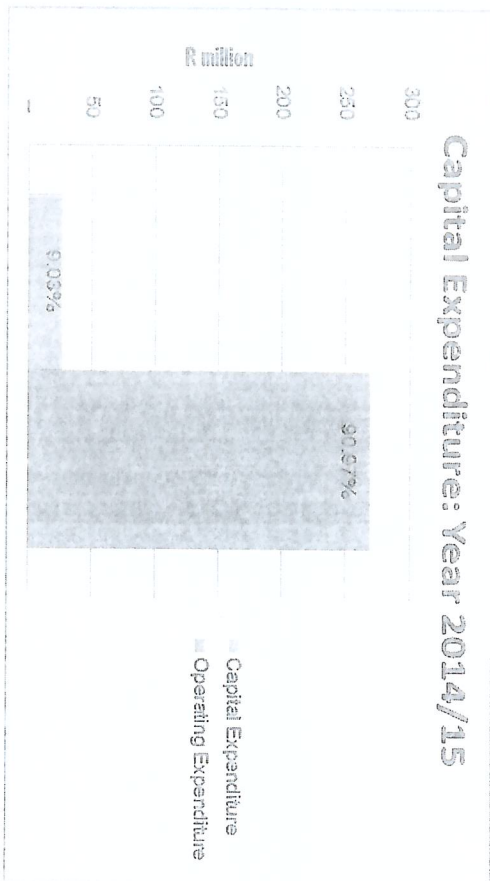
Data used from MARRSAS

## COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

### INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

Capital expenditure relates mainly to construction projects that will have value lasting over many years. Capital expenditure is funded from grants, borrowings and operating expenditures and surpluses. Component B deals with capital spending indicating where the funding comes from and whether Municipalities are able to spend the available funding as planned. In this component it is important to indicate the different sources of funding as well as how these funds are spend. Below is the list of the 3 largest projects

### 5.5 CAPITAL EXPENDITURE



	R million	Original Budget	Adjustment Budget	Un-audited Full Year Total	Original Budget variance	Adjusted Budget Variance
Capital Expenditure	27	27	27	23	-15.7%	-15.7%
Operating Expenditure	242	242	270	289	19.2%	7.2%
Total expenditure	269	269	296	311	15.7%	5.1%
Water and sanitation	-	-	-	-		
Electricity	12	12	12	6	-49.6%	-49.6%
Housing	-	-	-	-		
Roads, Pavements, Bridges and storm water	14	14	14	15	7.1%	7.1%
Other	1	1	1	2	100.0%	100.0%
External Loans	27	27	27	23	-14.5%	-14.5%
Internal contributions	-	-	-	-		
Grants and subsidies	-	-	-	-		
Other	-	-	-	-		
External Loans	-	-	-	-		
Grants and subsidies	-	-	-	-		
Investments Redeemed	-	-	-	-		
Statutory Receipts (including VAT)	-	-	-	-		
Other Receipts	-	-	-	-		
Salaries, wages and allowances	51	53	48	-	-5.2%	-8.8%
Cash and creditor payments	188	188	163	-	-13.5%	-13.5%
Capital payments	15	15	15	15	0.0%	0.0%
Investments made	2	2	2	2	0.0%	0.0%
External loans repaid	14	15	15	15	11.6%	0.0%
Statutory Payments (including VAT)	-	-	-	-		
Other payments	1	1	1	1		0.0%
	269	273	243		-9.8%	-11.0%

	Original Budget	Adjustment Budget	Un-audited Full Year Total	Original Budget: variance	Adjusted Budget: Variance
Property rates	13	14	13	-5.5%	-10.8%
Service charges	108	109	114	6.3%	5.1%
Other own revenue	77	93	108	39.6%	15.6%
	198	216	234	18.5%	8.6%
Employee related costs	51	53	48	-5.2%	-8.8%
Provision for working capital	29	32	87	200.0%	171.9%
Repairs and maintenance	6	6	5	-13.8%	-13.8%
Bulk purchases	56	67	55	-2.3%	-17.6%
Other expenditure	100	111	93	-7.3%	-16.2%
	242	289	288	18.9%	7.4%
Service charges: Electricity	76	76	80	5.3%	5.3%
Grants & subsidies: Electricity	36	36	36	0.0%	0.0%
Other revenue: Electricity	27	49	49	81.5%	0.0%
	139	161	165	18.7%	2.5%
Employee related costs: Electricity	36	37	34	-4.8%	-8.1%
Provision for working capital: Electricity	20	22	61	200.5%	177.3%
Repairs and maintenance: Electricity	4	4	4	-4.8%	0.0%
Bulk purchases: Electricity	39	47	39	-0.5%	-17.0%
Other expenditure: Electricity	70	78	65	-7.1%	-16.7%
	189	188	203	19.8%	8.0%
Service charges: Water	32	33	34	6.3%	3.0%
Grants & subsidies: Water	15	15	15	0.0%	0.0%
Other revenue: Water	12	21	21	75.0%	0.0%
	59	69	70	18.6%	1.4%
Employee related costs: Water	15	16	14	-5.0%	-11.0%
Provision for working capital: Water	9	10	26	188.9%	160.0%
Repairs and maintenance: Water	2	2	1	-41.5%	-41.5%
Bulk purchases: Water	17	20	16	-6.6%	-20.6%
Other expenditure: Water	30	33	28	-6.5%	-15.0%
	73	81	85	16.9%	5.3%



## 5.3 SOURCES OF FINANCE

Capital Expenditure of 5 largest projects*						
Name of Project	Current: 2015/16			Variance: Current 2015/16		
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)	R' 000
Botumelong Internal Roads	6,551	6,551	6,551	0%		0%
Geluksoord Internal Roads	6,080	6,080	6,080	0%		0%
Geluksoord Bulk Infrastructure & 400 Stands	5,820	5,820	5,820	0%		0%

Only 3 projects were identified and prioritized for the year under review. These projects were mainly upgrade of internal roads in both Botumelong Location and Geluksoord. Out of the 2500 stands in Geluksoord Ext. 2&3, the municipality managed to electrify 400. The municipality will continue to source funding in the next financial year to electrify the remaining households.

# Capital Expenditure - Funding Sources: 2013/14 to 2014/15

R' 000

Details	2013/14	2014/15				
	Actual	Original Budget (OE)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)
Source of finance						
External loans	0	0	0	0	0.00%	0.00%
Public contributions and donations	0	0	0	0	0.00%	0.00%
Grants and subsidies	13300	26000	26000	18000	0.00%	-30.77%
Other	500	700	700	4500	0.00%	542.86%
<b>Total</b>	<b>13300</b>	<b>26700</b>	<b>26700</b>	<b>22500</b>	<b>0.00%</b>	<b>512.09%</b>
Percentage of finance						
External loans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Public contributions and donations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants and subsidies	96.4%	97.4%	97.4%	80.0%	0.0%	-6.0%
Other	3.6%	2.6%	2.6%	20.0%	0.0%	106.0%
Capital expenditure						
Water and sanitation	0	0	0	0	0.00%	0.00%
Electricity	8000	12000	12000	6000	0.00%	-50.00%
Housing	0	0	0	0	0.00%	0.00%
Roads and storm water	4500	14000	14000	15000	0.00%	7.14%
Other	500	1000	1000	2000	0.00%	100.00%
<b>Total</b>	<b>13000</b>	<b>27000</b>	<b>27000</b>	<b>23000</b>	<b>0.00%</b>	<b>57.14%</b>
Percentage of expenditure						
Water and sanitation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Electricity	61.5%	44.4%	44.4%	26.1%	0.0%	-87.5%
Housing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Roads and storm water	34.6%	51.9%	51.9%	65.2%	0.0%	12.5%
Other	3.8%	3.7%	3.7%	8.7%	0.0%	175.0%

## B.3 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

### INTRODUCTION TO BASIC SERVICE AND INFRASTRUCTURE BACKLOGS

There are 2200 households using communal taps that are within 200m whilst there are 88 households with access to water that is below the minimum standard.

The municipality together with Department of Local Government and Human Settlements addressing the eradication of 138 Bucket system. It is also difficult for the municipality to source funding for eradication of 785 Septic Tanks

Out of the 2500 households, municipality was able to electrify 400 stands. The municipality is again in the process of sourcing funding to electrify the remaining households.

With the limited MIG grant the municipality is receiving, we are unable to address the basic service delivery backlog at a satisfactory rate. The increase in population leads to the accumulative number of backlog. The municipality is currently having 3177 housing backlog that comprises of Geluksoord Ext 2&3 that is located in an informal area and Bloemhof Ext.10.

70KM of gravel road still needs to be upgraded to paved and/or tar.

Service Backlogs as at 30 June 2015		
	Households (HHs)	
	*Service level above minimum standard	**Service level below minimum standard
	No. HHs	No. HHs
Water	2200	88
Sanitation	785	138
Electricity	0	1900
Waste management	0	0
Housing	0	3177



# COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

## CASH FLOW

Cash Flow Outcomes					R'000
Description	2014/15	Current: 2015/2016			
	Actual	Budget	Adjustment Budget	Actual	
Receipts					
Ratepayers and other	122,575	120,833	11,946	125,391	
Government – operating	55,588	46,901	(20,739)	36,713	
Government – capital	–	26,604	6,160	25,522	
Interest	229	23	230	278	
Dividends	–	–	–	–	
Payments					
Suppliers and employees	(150,590)	–	(151,123)	(136,050)	
Finance charges	(3,677)	–	(590)	(31,084)	
Transfers and Grants	–	–	–		
NET CASH FROM/USED) OPERATING ACTIVITIES	24,125	194,361	(154,216)	20,770	
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts					
Proceeds on sale of money market investments	–	–	–	278	
Decrease (increase) in non-current debtors	–	–	–	–	
Decrease (increase) other non-current receivables	–	–	–	–	
Decrease (increase) in non-current investments	–	–	–	–	
Payments					
Capital assets	–	–	(14,527)	(22,600)	
NET CASH FROM/USED) INVESTING ACTIVITIES	–	–	(14,527)		



					(22,322)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Receipts					
Short term loans	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-
Payments					
Repayment of borrowing			(2,166)	(573)	
<b>NET CASH FROM/USED) FINANCING ACTIVITIES</b>	-	-	(2,166)	(573)	
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	24,125	194,361	(170,911)	(2,125)	
Cash/cash equivalents at the year begin:	-	-	-	-	1,735
Cash/cash equivalents at the year-end:	24,125	194,361	(170,911)	(389)	

Actual Borrowings: 2013/2014 to 2015/2016					R' 000
Instrument	2013/2014	2014/2015	2015/2016		
Municipality	946	10708	8795		
Long-Term Loans (annuity/reducing balance)	-	-	-		
Long-Term Loans (non-annuity)	-	9,795	5,719		
Local registered stock	-	-	-		
Instalment Credit	-	-	-		
Financial leases	946	913	3,076		
PPP liabilities	-	-	-		

Finance Granted By Cap Equipment Supplier	-	-	-	-
Marketable Bonds	-	-	-	-
Non-Marketable Bonds	-	-	-	-
Bankers Acceptances	-	-	-	-
Financial derivatives	-	-	-	-
Other Securities	-	-	-	-
Municipality Total	946	10,706	3,795	
Municipal Entities				
Long-Term Loans (annuity/reducing balance)	-	-	-	-
Long-Term Loans (non-annuity)	-	-	-	-
Local registered stock	-	-	-	-
Instalment Credit	-	-	-	-
Financial Leases	-	-	-	-
PPP liabilities	-	-	-	-
Finance Granted By Cap Equipment Supplier	-	-	-	-
Marketable Bonds	-	-	-	-
Non-Marketable Bonds	-	-	-	-
Bankers Acceptances	-	-	-	-
Financial derivatives	-	-	-	-



Municipal and Entity Investments				R' 000
Investment type	2013/2014	2014/2015	2015/2016	
	Actual	Actual	Actual	
Municipality				
Securities - National Government	-	-	-	-
Listed Corporate Bonds	50	65	70	
Deposits - Bank	7,010	1,998	1,719	
Deposits - Public Investment Commissioners	-	-	-	-
Deposits - Corporation for Public Deposits	-	-	-	-
Bankers Acceptance Certificates	-	-	-	-
Negotiable Certificates of Deposit - Banks	-	-	-	-
Guaranteed Endowment Policies (sinking)	-	-	-	-
Repurchase Agreements - Banks	-	-	-	-
Municipal Bonds	-	-	-	-
Other	-	-	-	-
Municipality sub-total	7,060	2,063	1,789	
Municipal Entities				
Securities - National Government	-	-	-	-
Listed Corporate Bonds	-	-	-	-
Deposits - Bank	-	-	-	-
Deposits - Public Investment Commissioners	-	-	-	-
Deposits - Corporation for Public Deposits	-	-	-	-
Bankers Acceptance Certificates	-	-	-	-
Negotiable Certificates of Deposit - Banks	-	-	-	-
Guaranteed Endowment Policies (sinking)	-	-	-	-
Repurchase Agreements - Banks	-	-	-	-



Other	-	-	-
Entities sub-total	-	-	-
Consolidated total:	7,060	2,063	1,789

## COMPONENT D: OTHER FINANCIAL MATTERS

### SUPPLY CHAIN MANAGEMENT

### SUPPLY CHAIN MANAGEMENT

#### Contracts awarded

01 July 2015 to 30 June 2016

Date	Tenderer	Date	Tenderer	Date	Tenderer
01/06/2014	BLAQ-M HOLDINGS (PTY)LTD	04/06/2014	BLAQ-M HOLDINGS (PTY)LTD	01/06/2014	BLAQ-M HOLDINGS (PTY)LTD
11/06/2014	NEP CONSULTING ENGINEERS	11/06/2014	NEP CONSULTING ENGINEERS	11/06/2014	NEP CONSULTING ENGINEERS
12/06/2014	INGPLAN CONSULTING ENGINEERS (PTY)LTD	12/06/2014	INGPLAN CONSULTING ENGINEERS (PTY)LTD	12/06/2014	INGPLAN CONSULTING ENGINEERS (PTY)LTD

12/09/2014	RJ PROJECTS AND MANAGEMENT (PTY)LTD	12/09/2014	RJ PROJECTS AND MANAGEMENT (PTY)LTD	12/09/2014	RJ PROJECTS AND MANAGEMENT (PTY)LTD
25/09/2014	IKAGENG ELECTRICAL CONTRACTORS CC	25/09/2014	IKAGENG ELECTRICAL CONTRACTORS CC	25/09/2014	IKAGENG ELECTRICAL CONTRACTORS CC
10/10/2014	ORANIE TOYOTA KLERKSDORP	10/10/2014	ORANIE TOYOTA KLERKSDORP	10/10/2014	ORANIE TOYOTA KLERKSDORP
28/01/2015	IKAGENG ELECTRICAL CONTRACTORS CC	28/01/2015	IKAGENG ELECTRICAL CONTRACTORS CC	27/01/2015	IKAGENG ELECTRICAL CONTRACTORS CC
13/04/2015	DISTINCTIVE CHOICE 1505 CC	13/04/2015	DISTINCTIVE CHOICE 1505 CC	13/04/2015	DISTINCTIVE CHOICE 1505 CC

## CHAPTER 6 -- AUDITOR GENERAL AUDIT FINDINGS

### INTRODUCTION

The Constitution S188 (1) (b) states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. MSA section 45 states that the results of performance measurement... must be audited annually by the Auditor-General

### COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2014/15

#### 6.1 AUDITOR GENERAL REPORTS 2014/15(PREVIOUS YEAR)

Auditor-General Report on Financial Performance: 2014/15	
Audit Report Status*: DISCLAIMER	
Non-Compliance Issues	Remedial Action Taken
Property, plant and equipment I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for property, plant and equipment, due to the status of the accounting records. I was unable to confirm the property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustment to property, plant and equipment of R667 403 161 and R667 259 493as disclosed in note 5 to the consolidated and separate financial statements were necessary.	The following major activities were undertaken: Updating the Fixed Asset Register. Completed the task as follows (among others)(GRAP 17): Capturing all the new assets in the fixed assets, as well as disposals Calculating the depreciation of all assets Reconciling the Fixed Asset Register to the ledger Investment Properties (GRAP 16) Investment Properties have already been revalued as at 30 June 2014. Relevant changes have been made in the financial system Heritage Assets (GRAP 103) The municipality does not have Heritage Assets. No further work was done regarding this. Unbundling of Infrastructure Assets No additional unbundling of Infrastructure of Assets was required for all old assets Projects completed during the year were properly unbundled and the amounts have be shown in the financial statements

<p><b>Accumulated surplus</b></p> <p>I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for accumulated surplus for adjustments to the accumulated surplus, due to the status of the accounting records. I was unable to confirm the accumulated surplus by alternative means. Consequently, I was unable to determine whether any adjustment to accumulated surplus of R510 016 238 (2013: R566 983 317) and R509 641 191 (2013: R566 710 485) as disclosed in the consolidated and separate financial statements were necessary.</p>	<p>The municipality will adopt a system where all adjustments to the accumulated surplus are closely monitored and all relevant and sufficient records regarding the adjustments are kept.</p>
<p><b>Expenditure</b></p> <p>I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for expenditure, due to the status of the accounting records. I was unable to confirm expenditure by alternative means. Consequently, I was unable to determine whether any adjustment to expenditure of R238 187 061 and R234 299 224 as disclosed in the consolidated and separate financial statements were necessary.</p>	<p>All supporting documents for expenditure are to be kept safely, with cut off procedures being carried out at year end to ensure that all expenditure is recorded in the correct accounting period.</p>
<p><b>Trade and other payables</b></p> <p>I was unable to obtain sufficient appropriate audit evidence for trade and other payables, in the current year due to the status of the accounting records. I was unable to confirm trade and other payables by alternative means. Consequently, I was unable to determine whether any adjustment to trade and other payables of R191 356 282(2013: R125 866 043) and R190 890 742 (2013: R125 866 043 R125 788 605) as disclosed in note 20 to the consolidated and separate financial statements were necessary.</p>	<p>Internal Controls to be significantly improved. The following are some of the key measures to be undertaken:</p> <ul style="list-style-type: none"> <li>(a) Invoices to be captured in Venus upon receipt rather than on payment. However, this is not yet fully operational as it was introduced later during the year.</li> <li>(b) Creditors control account reconciliations are to be performed every month and reviewed by a senior official</li> <li>(c) Improved Document Management and Archiving System (so that supporting documents are properly filed and kept in a safe place)</li> <li>(d) Performance of search for unrecorded liabilities using various methods such as Subsequent Payments after year-end and enquiries from various Directors. This determined if there are any liabilities not yet recorded (for services rendered in the current financial year)</li> <li>(e) Prior year creditors to be corrected so as to reflect the correct balances as at 30 June 2014.</li> </ul>



<p><b>Revenue</b></p> <p>I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for revenue from service charges, fines and rental of facilities and equipment, due to the status of the accounting records. I was unable to confirm the revenue from service charges, fines and rental of facilities and equipment by alternative means. Consequently, I was unable to determine whether any adjustment to revenue from service charges, fines and rental of facilities and equipment of R113 191 525 as disclosed in note 24 to the consolidated and separate financial statements were necessary.</p> <p>9. I was unable to obtain sufficient appropriate audit evidence for revenue from property rates, in the current and prior year due to the status of the accounting records. I was unable to confirm revenue from property rates by alternative means. Consequently, I was unable to determine whether any adjustment to revenue of R13 151 617 (2013: R11 886 693) as disclosed in note 24 to the consolidated and separate financial statements were necessary.</p>	<p>(a) Liaise with the municipal valuer on a regular basis to ensure that interim or supplementary valuation roll is performed on a regular basis. If no need for that this needs to be properly documented and provided to the auditors.</p> <p>(b) Perform a high level Valuation Roll Reconciliation in December 2013 to reasonably confirm if all properties were charged Assessment Rates and at the right Tariffs.</p> <p>(c) Perform a detailed Valuation Roll Reconciliation at year-end so as to confirm that all properties were charged Assessment Rates and at the right Tariffs.</p>
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<p><b>Receivables</b></p> <p>10. I was unable to obtain sufficient appropriate audit evidence for receivables from exchange transactions trade and other receivables, receivables from non-exchange transactions and consumer debtors, in the current and prior year due to the status of the accounting records. I was unable to confirm receivables from exchange transactions trade and other receivables, receivables from non-exchange transactions and consumer debtors by alternative means. Consequently, I was unable to determine whether any adjustment relating to receivables from exchange transactions trade and other receivables of R8 203 081 (2013: R5 914 543) as disclosed in note 12 to the financial statements, receivables from non-exchange transactions of R2 750 477 (2013: R1 332 281) as disclosed in note 13 to the financial statements and consumer debtors of R43 696 340 (2013: R13 207 502) as disclosed in note 14 to the consolidated and separate financial statements were necessary.</p> <p>11. SA Standards of GRAP, GRAP 104, Financial instruments, require that an entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. The municipality did not correctly assess trade and other receivables, receivables from non-exchange transactions and consumer debtors individually or by category, for any indication that these assets may be impaired. I was unable to confirm this impairment by alternative means. Consequently, I was unable to determine whether any adjustments relating to trade and other receivables of R8 203 081 (2013: R5 914 543), trade and receivables from non-exchange transactions of R2 750 477 (2013: R1 332 281) and the related allowance for impairment of R13 573 657 (2013: R13 858 024) and consumer debtors of R43 696 340 (2013: R13 207 502) and the related allowance for impairment of R248 120 371 (2013: R198 825 037) as presented in the financial statements or the debt impairment expense of R50 019 496 (2013: R58 986 103) as disclosed in the consolidated and separate financial statements were necessary.</p>	<p>(a) Policy for bad debts provisioning to be amended so as to ensure that the impairment of consumer debtors is done in accordance with the NT guideline as provided on their website, which is in compliance with the GRAP Reporting Framework (IAS 39). This entailed the following Amending the new policy accordingly (to include align it with GRAP Standards/Reporting Framework grouping the debtors into the various categories based on their risk profile such as Government, Corporates, Individuals (further divided into Indigents and Non-Indigents) collating debtors collection history on a monthly basis (implementing the right internal controls so that the input information is accurate and reliable)</p> <p>(b) Prior year provisioning to be recomputed in line with the new policy. Prior year AFS were therefore restated.</p>
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<p>Irregular expenditure</p> <p>12. Section 125 of the MFMA requires the disclosure of irregular expenditure incurred. I was unable to obtain sufficient audit evidence to confirm that averses of R7 543 962 (2013: R9 670 777) were made in terms of the supply chain management requirements. The municipality's records did not permit the application of alternative procedures. Consequently, I was unable to determine whether any adjustment relating to irregular expenditure of R47 577 444(2013: R32 948 693) disclosed in note 49 to the financial statements was necessary.</p>	<p>The following measures are to be implemented:</p> <p>(a) All procurements were to be made in terms of the SCM Policy and NT SCM Regulations. For example, tenders for projects expected to be above R1 million needed to be advertised, evaluated on a 90/10 principle (90 being pricing and 10 being for BBEE) etc.</p> <p>(b) Where SCM regulations have not been met, it needs to be determined whether it's a deviation (which requires Accounting Officers Approval) or Violation (which needs Council approval. Deviations will still need to be taken to Council for investigations and possible condonement or recovery from the relevant official (Circular 68 of May 2013 was used as a guide)</p> <p>(c) Maintained an Irregular Expenditure Register, which show among other things, details of the transaction, reasons for the transaction being irregular, action taken or being take, amount involved etc.</p> <p>(d) Maintenance of other SCM related registers such as tenders for the year, compulsory briefing registers etc.</p> <p>(e) Regular update of the supplier database as required by the SCM Regulations say yearly or six monthly.</p> <p>(f) Provision of all SCM related information to the auditors on time so as to avoid limitation of scope</p> <p>(g) Proper Document Management and Archiving System</p> <p>(h) Proper disclosure of all such transactions in the AFS as required by the MFMA</p>
<p>Fruitless and wasteful expenditure</p> <p>44. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for fruitless and wasteful expenditure, due to the status of the accounting records. I was unable to confirm fruitless and wasteful expenditure by alternative means. Consequently, I was unable to determine whether any adjustment to fruitless and wasteful expenditure of R13 366 165 and R13 361 308 as disclosed in note 48 to the consolidated and separate financial statements were necessary.</p>	<p>Arrangements to be made with suppliers where payment has been delayed so that they do not charge the municipality and penalties and interest</p> <p>Sought Provincial Government's Assistance such that Provincial Treasury appointed a Revenue Enhancement Company to assist the municipality. The company has commenced work and they have already presented their Status Quo Assessment Report to Council (on the 26th of September 2014.</p> <p>Engagement with Provincial Treasury on possibility of assistance in settling huge debts such as Eskom and Water.</p> <p>(d) Maintaining fruitless and wasteful register</p> <p>(e) Seeking Council approval or deliberations for such expenditure</p> <p>(f) Disclosing the amounts in the AFS</p>

<p>Prior period errors</p> <p>15. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for prior period errors, due to the status of the accounting records. I was unable to confirm prior period errors by alternative means. Consequently, I was unable to determine whether any adjustment to prior period errors of R12 074 326 as disclosed in note 4.3 to the consolidated and separate financial statements were necessary.</p>	<p>All the corresponding amounts in the 2015/16 Financial Statements are to be adjusted and restated accordingly.</p>
<p>VAT payable</p> <p>16. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for VAT payable, due to the status of the accounting records. I was unable to confirm VAT payable by alternative means. Consequently, I was unable to determine whether any adjustment to VAT payable of R10 951 504 as disclosed in note 2.1 to the consolidated and separate financial statements were necessary.</p>	<p>Monthly VAT reconciliations to be implemented</p>



<p>Provisions</p> <p>17. The SA Standards of GRAP, GRAP 19, Provisions, contingent liabilities and contingent assets require that provisions be recognised when an entity has a present obligation that will result in an outflow of economic resources that can be reliably estimated. I was unable to obtain sufficient appropriate audit evidence for landfill site rehabilitation provision of R3 788 558 as disclosed in note 19 to the annual financial statements. The municipalities financial records did not allow me to obtain sufficient appropriate audit evidence for the basis and cost schedules used to calculate the rehabilitation provision or perform alternative procedures. As a result, I was unable to practically determine the amount by which provisions of R3 788 558(2013: R3 547 000), as disclosed in note 19 to the financial statements is mis-stated or the consequential impact on the deficit for the period and accumulated surplus contained in the consolidated and separate financial statements.</p>	<p>As a standard procedure, the municipality need to provide for all obligations for which it has either:</p> <p>(i) a constructive obligation (where there is a past practice of doing that it means there is an expectation that the municipality will do the same in future, thus creating an obligation)</p> <p>(ii) legal obligation (as a result of contracts entered into)</p> <p>In the prior year, the challenge in this regard related to Provision for Decommissioning of Landfill Sites (Christiana &amp; Bloemhof)</p> <p>Regarding this, the following was done:</p> <p>Further engagements were done with AG &amp; District Municipality (Mr. C. Oosthuizen: Solid Waste Division, Dr. Ruin Mompoti DM) so as to clarify the matter.</p> <p>The resolution was that the municipality provides for the decommissioning of the landfill sites</p> <p>With the assistance of Mr. C. Oosthuizen, the computations for this were provided by the engineers appointed by the District Municipality for the years 2012, 2013 and 2014 financial years.</p> <p>A provision for decommissioning of landfill sites was thus made as at 30 June 2014</p> <p>AFS as at 30 June 2013 were also restated accordingly</p>
<p>Distribution</p> <p>18. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for water and electricity distribution losses, due to the status of the accounting records. I was unable to confirm distribution losses by alternative means. Consequently, I was unable to determine whether any adjustment to electricity distribution losses of 28% and water distribution losses of 8% as disclosed in note 51.50 to the consolidated and separate financial statements were necessary.</p>	<p>Distribution losses to be calculated and monitored on a monthly basis</p>
<p>Cash flow statement</p> <p>19. Taking into account the misstatements identified in the financial statements and set out in this report, I am unable to determine the current and prior year effects on the cash flow statement and whether any adjustments relating to the cash flow statement are required in the consolidated and separate financial statements were necessary.</p>	<p>The cause of this was the Disclaimer issues raised. As such the cash flow statement will be recomputed and ensured that it complies with the GRAP Standards</p>



# COMPONENT B: AUDITOR-GENERAL OPINION 2015/16 (CURRENT YEAR)

Auditor-General Report on Service Delivery Performance: 2015/16	
Audit Report Status: QUALIFICATION	
Non-Compliance Issues	Remedial Action Taken
<p><b>Expenditure:</b></p> <p>I was unable to obtain sufficient appropriate audit evidence for general expenditure and contracted services in the current and prior year as the municipality has an inadequate system of internal control to account for these expenditures. I was unable to confirm expenditure by alternative means. Consequently I was unable to determine whether any further adjustments relating to contract services of R6 834 346 (2014: R6 845 190) and general expenditure of R43 702 661 (2014: R40 848 299) and R43 690 869 (2014: R38 143 148) in the consolidated and separate financial statements was necessary. During 2014, I was unable to obtain sufficient appropriate audit evidence for expenditure relating to repairs and maintenance and bulk purchases as the municipality had inadequate internal controls. I was unable to determine whether any adjustment to this expenditure of R55 335 806 include in the consolidated and separate statements of financial performance was necessary. My audit opinion on the consolidated and separate financial statements for the period ended 30 June 2014 was modified accordingly. As still unable to confirm this expenditure by alternative means, consequently my opinion on the current periods consolidated and separate financial statements is also modified because of the opposite effect of this matter on the comparability of the current periods figures</p>	<p>Internal Controls to be significantly improved. The following are some of the key measures to be undertaken:</p> <p>(a) Invoices to be captured in Venus upon receipt rather than on payment. However, this is not yet fully operational as it was introduced later during the year.</p> <p>(b) Creditors control account reconciliations are to be performed every month and reviewed by a senior official</p> <p>(c) Improved Document Management and Archiving System (so that supporting documents are properly filed and kept in a safe place)</p>
<p><b>Receivables:</b></p> <p>I was unable to obtain sufficient appropriate audit evidence for receivables from exchange transactions and consumer debtors in the current and prior year as the municipality has an inadequate system of internal control to account for the receivables from exchange transactions and consumer debtors and did not keep proper records. In addition, I was unable to confirm these receivables from exchange transactions and consumer debtors by alternative means. Consequently, I was unable to determine whether any adjustments relating to receivables from exchange transactions of R217 389 (2014: R1 168 100) and consumer debtors of R28 397 686 (2014: R38 507 193) as disclosed in notes 13 and 16 to the consolidated and separate financial statements were necessary. During 2014, I was unable to obtain sufficient appropriate audit evidence for receivables from non-exchange transactions as the municipality and inadequate internal controls. I was unable to determine whether any adjustments to receivables and from non-exchange transactions of R2 154 080 included in the consolidated and separate statement of financial performance was necessary. My audit opinion on the consolidated and separate financial statements is also modified because of the possible effect of this matter on the comparability of the current periods figures.</p>	<p>(a) Policy for bad debts provisioning to be amended so as to ensure that the impairment of consumer debtors is done in accordance with the NT guideline as provided on their website, which is in compliance with GRAP Reporting Framework (IAS 39). This entailed the following</p> <p>Amending the new policy accordingly (to include align it with GRAP Standards/Reporting Framework</p> <p>grouping the debtors into the various categories based on their risk profile such as Government, Corporates, Individuals (further divided into Indigenis and Non-Indigenis)</p> <p>collating debtors collection history on a monthly basis (implementing the right internal controls so that the input information is accurate and reliable)</p> <p>(b) Prior year provisioning to be recomputed in line with the new policy. Prior year AFS were therefore restated.</p>

<p><b>Revenues:</b></p> <p>The municipality incorrectly accounted for output VAT in the accounting records. Had these transactions been correctly recorded, revenue from sundry income would have decreased with R858 551, revenue from licenses and permits with R233 232 and VAT receivable decreased with R1 091 783. I was unable to determine whether any adjustments relating to revenue from sundry income of R2 815 757 as disclosed in the consolidated and separate financial statements was necessary. Revenue: During 2014, I was unable to obtain sufficient appropriate audit evidence for revenue from service charges, traffic fines, licenses and permits, rental facilities of equipment and property rates as the municipality had inadequate internal controls. I was unable to determine whether any adjustment to revenue of R154 173 910 included in the consolidated and separate statement of financial performance was necessary. My audit opinion on the consolidated and separate financial statements for the period ended 30 June 2014 was modified accordingly. I was still unable to confirm this revenue by alternative means. Consequently, my opinion on the current period's consolidated and separate financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.</p>	<p>(a) Perform detailed monthly VAT reconciliations</p> <p>(b) Update Venus System to automatically account for all VAT on receipts as and when they are processed in the system</p> <p>(c) Liaise with the municipal valuer on a regular basis to ensure that interim or supplementary valuation roll is performed on a regular basis. If no need for that this needs to be properly documented and provided to the auditors.</p>
<p><b>Trade and other payables:</b></p> <p>During 2014, I was unable to obtain sufficient appropriate audit evidence for trade and other payables as the municipality had inadequate internal controls. I was unable to determine whether any adjustment to trade and other payables of R183 130 730 and R182 665 190 included in the consolidated and separate statement of financial position was necessary. My audit opinion on the consolidated and separate financial statements for the period ended 30 June 2014 was modified accordingly. I was unable to confirm this trade and other payables by alternative means. Consequently, my opinion on the current period's consolidated and separate financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.</p>	<p>Internal Controls to be significantly improved. The following are some of the key measures to be undertaken:</p> <p>(a) Invoices to be captured in Venus upon receipt rather than on payment. However, this is not yet fully operational as it was introduced later during the year.</p> <p>(b) Creditors control account reconciliations are to be performed every month and reviewed by a senior official</p> <p>(c) Improved Document Management and Archiving System (so that supporting documents are properly filed and kept in a safe place)</p> <p>(d) Performance of search for unrecorded liabilities using various methods such as Subsequent Payments after year-end and enquiries from various Directors. This determined if there are any liabilities not yet recorded (for services rendered in the current financial year)</p> <p>(e) Prior year creditors to be corrected so as to reflect the correct balances as at 30 June 2014</p>



## GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give “full and regular” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “what we do”.
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are “what we use to do the work”. They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	<ul style="list-style-type: none"> <li>Service delivery &amp; infrastructure</li> <li>Economic development</li> <li>Municipal transformation and institutional development</li> <li>Financial viability and management</li> </ul>

	• Good governance and community participation
<b>Outcomes</b>	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
<b>Outputs</b>	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
<b>Performance Indicator</b>	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
<b>Performance Information</b>	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
<b>Performance Standards:</b>	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPWDS performance standards are divided into indicators and the time factor.
<b>Performance Targets:</b>	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
<b>Service Delivery Budget Implementation Plan</b>	Detailed plan approved by the mayor for implementing the municipality's delivery of services, including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
<b>Vote:</b>	One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area. Section 1 of the MFMA defines a "Vote" as: a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned



# APPENDICES

## APPENDICES

### APPENDIX A – COUNCILLORS, COMMITTEES ALLOCATED AND COUNCIL ATTENDANCE

Council Members	Full Time / Part Time	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
	FT/PT			%	%
Cllr Palagangwe	FT	Mayor	ANC - Ward 7	100%	0%
Cllr Majiela	PT	Chairperson MPAC	ANC - Ward 2	80%	66%
Cllr Mabele	PT	Chairperson Health and Social Services Portfolio Committee, Governance and Admin; and Finance Portfolio Committees	ANC PR	93%	0%
Cllr Mokgosi	PT	Chairperson LED and Infrastructure Portfolio Committee; and Health and Social Services Portfolio Committees	ANC Ward 5	93%	7%
Cllr Pencil	PT	Chairperson Finance Portfolio Committee; and Governance and Admin Portfolio Committee	ANC PR	73%	50%
Cllr Joseph	PT	Chairperson Governance and Admin Portfolio Committee; MPAC and	ANC - Ward 4	93%	100%
Cllr Sagola	PT	Health and Social Portfolio Committee	ANC - Ward 1	93%	100%
Cllr Molele	PT	Health and Social Services; and Finance Portfolio Committee	ANC - Ward 3	67%	60%
Cllr Muller	PT	MPAC; and Governance and Admin Portfolio Committee	DA - Ward 6	73%	50%
Cllr Buys	PT	Health and Social Services Portfolio Committee	DA PR	53%	86%
Cllr Snyman	PT	Finance; and Health and Social Services Portfolio Committees	DA PR	67%	100%
Cllr Ngesi	PT	MPAC; Health and Social Services; and Governance and Admin Committees	COPE PR	87%	100%
Cllr Modise	PT	Governance and Admin Portfolio Committee	ANC PR	53%	100%
Cllr Mosopeng	PT	LED and Infrastructure and Finance Portfolio Committees	ANC PR	67%	0%

## APPENDIX B -- COMMITTEES AND COMMITTEE PURPOSES

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
Governance and Administration	<ul style="list-style-type: none"> <li>The Governance and Administration Committee considers and makes recommendation to the Council in regard to the matter delegated to it, which includes but not limited to <ul style="list-style-type: none"> <li>Municipal land and property management</li> <li>Staff establishment and organisational structure;</li> <li>Develop and Review a system of delegations;</li> <li>Municipal administration;</li> <li>Human Resource development;</li> <li>Bargaining Council Agreements</li> <li>Security</li> <li>Public participation of communities in municipal matters</li> </ul> </li> </ul>
Finance	<ul style="list-style-type: none"> <li>The Finance Committee considers and makes recommendations to Council in regard matters delegated to it, which includes but not limited to: <ul style="list-style-type: none"> <li>Financial management of the Municipality</li> <li>MFMA Implementation</li> <li>Financial viability strategies</li> </ul> </li> </ul>
	<p>Risk management and assessment</p> <ul style="list-style-type: none"> <li>The Economic Development and Infrastructure Committee considers and makes recommendations to Council in regard matters delegated to it, which includes but not limited to: <ul style="list-style-type: none"> <li>Local Economic Development;</li> <li>Markets serving the area of the Municipality</li> <li>Building regulations; Trading regulations;</li> <li>Street Trading;</li> <li>Licensing of dogs; (?)</li> <li>Amusement facilities</li> <li>Local roads and streets;</li> <li>Local Amenities</li> <li>Storm water management systems in build – up areas</li> </ul> </li> </ul>
LED and Infrastructure	

Health and Social Services	<ul style="list-style-type: none"> <li>◦ The Health and Social Services Committee considers and makes recommendations to the Council in regard to the matters delegated to it; which includes but not limited to               <ul style="list-style-type: none"> <li>◦ Cemeteries, funeral parlors and crematoria serving the area of the Municipality</li> <li>◦ Cleansing</li> <li>◦ Refuse removal, refuse dumps and solid waste disposal sites serving the area of the Municipality</li> <li>◦ Municipal Parks and Recreation</li> </ul> </li> </ul>
Municipal Public Accounts Committee	<p>The main purpose of the MPAC is to exercise oversight over the executive functionaries of council and to ensure good governance in the municipality. This will include oversight over municipal entities.</p> <ul style="list-style-type: none"> <li>◦ The MPAC interrogates various aspects of the municipal financial reporting and performance reporting as provided for in the MFMA.</li> <li>◦ MPAC also have responsibility over matters delegated to it by Council.</li> </ul>

## APPENDIX C -- THIRD TIER ADMINISTRATIVE STRUCTURE

Third Tier Structure	
Directorate	Director/Manager (State title and name)
Corporate Services	Mr Oatle Lelebele
Community Services	Mr Tebogo Lesie
Finance	Vacant - Ms Mpaai Poloti - Acting CFO
Technical Services	Mr Brian Segapo



# APPENDIX D -- FUNCTIONS OF MUNICIPALITY / ENTITY

Municipal / Entity Functions		Municipal Functions		Municipal Functions	
Municipal Functions		Municipal Functions		Municipal Functions	
Constitution Schedule 4, Part B functions:					
Air pollution		Yes		No	
Building regulations		Yes		Yes	
Child care facilities		No		Yes	
Electricity and gas reticulation		Yes		No	
Firefighting services		No		Yes	
Local tourism		No		Yes	
Municipal airports		No		Yes	
Municipal planning		Yes		No	
Municipal health services		Yes		Yes	
Municipal public transport		No		Yes	
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law		Yes			
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto		No		No	
Storm water management systems in built-up areas		Yes		No	
Trading regulations		Yes		No	
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems		Yes		No	
Beaches and amusement facilities		No		Yes	
Billboards and the display of advertisements in public places		Yes		No	
Cemeteries, funeral parlours and crematoria		Yes		No	
Cleansing		Yes		No	
Control of public nuisances		Yes		No	
Control of undertakings that sell liquor to the public		No		Yes	
Facilities for the accommodation, care and burial of animals		No		Yes	
Fencing and fences		Yes		No	
Licensing of dogs		Yes		No	
Licensing and control of undertakings that sell food to the public		Yes		No	
Local amenities		Yes		No	
Local sport facilities		Yes		No	
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto		No			
Storm water management systems in built-up areas		Yes		No	

Trading regulations	Yes	No
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes	No
Markets	No	Yes
Municipal abattoirs	No	Yes
Municipal parks and recreation	Yes	No
Municipal roads	Yes	No
Noise pollution	Yes	No
Pounds	Yes	No
Public places	Yes	No
Refuse removal, refuse dumps and solid waste disposal	Yes	No
Street trading	Yes	No
Street lighting	Yes	No
Traffic and parking	Yes	No

# APPENDIX E – WARD REPORTING

Functionality of Ward Committees					
	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
Ward 1	Councillor Segola	Yes			
	Kagisoym Mmadi				
	Tumelo Leeuw				
	Maria Thiko				
	Dipuo Tladi				
	Maminye Zinyoka				
	Shallo Polori				
	Patrick Gaebae				
	Gaothusi Kedibone				
	Maitira Chongararo				
	George Nyakama				
Ward 2	Councillor Majikela	Yes			
	David Moseki				
	Cecilia Mojeje (passed on)				
	Elisie Legabe				
	Moses Iwafi				
	Ben Motebe				
	Christiana Mohlomi				
	David Molo				



	Maserame Hloyi					
	Enock Motshabi					
	M Mswen					
Ward 3	Councillor Moleka	Yes				
	Daniel Legabe					
	TT Makoto					
	Diphaphang Khosi					
	Tshwarelo Mogwera					
	Kelkantsa Letebele					
	Magret Tholake					
	Kedibone Tselampe					
	Mpho Muurshop					
Ward 4	Councillor Joseph	Yes				
	Joseph Booyesen					
	Karel Vogt					
	Gordon Strydom					
	Elsie Mokunyane					
	Shameena Davis					
	Hazel matinyse					
	Ellen Saba					
	Saber					
Ward 5	Councillor Mokgosi	Yes				
	Michael Gawele					
	Kebisamang makupane					
	Lenong Dimakatso					



	Tozana Hoffman					
	Julia Ramakwana					
	Solomon Molebe					
	Mohau Mokgosi					
	Mamokeke Motshabi					
Ward 6	Councillor Muller	Yes				
	Erin van Vuuren					
	Manfred Segalo					
	Bernard van Zyl					
	Theo Gerber					
	Esyelle van Jaarsveld					
	Johan Roodt					
	Bert Kriel					
Ward 7	Councillor Palaganwe	Yes				
	Rosy Pholoholo					
	Phillip Letlape					
	Lydia mokgane					
	Margaret Bootman					
	James Mpangalasane					
	Momnapule Pabie					
	Morwadi Moselane					
	C molebatse					
	D Makuapane					
	E Kwana					

**APPENDIX G- RECOMMENDATION OF THE MUNICIPAL AUDIT COMMITTEE YEAR 2015/16**

Date of Committee	Committee recommendations during 2015/16
12/ 12/ 2014	That the Methodology be send to the members for review and inputs
	That in future the Audit Plans should be submitted at least in June of every year
	That those issues on the reports be highlighted and reflected on the Council Agenda.
	That MPAC be provided with the Internal Audit Reports after being noted by the Audit and Performance Committee.
	It was recommended that SLA be in line with M/FMA
	Should the local municipalities be pull-out of the shared services the Internal Auditors be transferred to those locals
	That the district must demand contribution from local Municipalities and letters should be written in this regard.
	It was resolved that a letter be written to the AG requesting him to meet with the committee where all the concerns of the committee will be presented.
22/ 08/ 2014	The Audit and Performance Committee took note of the non-compliance by the following Municipality: Greeter Taung Local Municipality, Mamusa Local Municipality, Kagisano Molopo Local Municipality and Lekwa-Teemane Local Municipality.
	That the Dr Ruth S Mompoti to assist Kagisano Molopo Local Municipality with the development of the municipal website.
	That all the Municipality must provide the Audit and Performance Committee with written progress reports on Performance Assessments at the next Meeting.

# APPENDIX J -- DISCLOSURES OF FINANCIAL INTERESTS

Disclosures of Financial Interests		
Position	Name	Period 1 July to 30 June of 2015/16 (Current Year) Description of Financial Interests* (Nil / Or details)
(Executive) Mayor	Cllr Palangangwe	None
Councillor	Cllr Melikela	None
	Cllr Mabala	None
	Cllr Mokgosi	None
	Cllr Pencil	None
	Cllr Joseph	None
	Cllr Segola	None
	Cllr Moleta	None
	Cllr Muller	None
	Cllr Ngesi	None
	Cllr Snyman	None
	Cllr Buys	None
	Cllr Modise	None
	Cllr Moepong	None
Municipal Manager	Ndoda Mgengo	None
Chief Financial Officer	Vacant (Acting)	None
Other S57 Officials	Oetile Letebele	None
	Tebogo Leslie	None
	Brian Segapo	None